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Europe not Malaysia's only palm oil market, say experts

By Jonathan Edward

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KUALA LUMPUR — A potential ban by the European Union (EU) of Malaysian palm oil should be seen as an opportunity to explore other markets for the product, according to experts, who said there are larger markets elsewhere.

They said the proposed ban and resulting economic warfare through retaliatory bans on EU manufactured goods could see the bloc take a harder hit because of its already sluggish economy.

Pacific Research Centre Malaysia principal adviser Oh Ei Sun said China and India had as much, if not greater consumer demand, than the EU and were geographically closer to Malaysia.

"This is a different world we live in. The EU is not exactly in the best of times at the moment. Frankly, they are not in an economically advantageous position to consider such action," he said.

"As can be seen in other examples, especially with the EU ban on Russian produce over the Ukrainian issue, which initially hurt, Russia has since adapted and expanded to other markets."

Oh asserted that Malaysia was no "pushover" and that the country had significant economic and geo-political clout to fall back on.

He said Malaysia was capable and had the right to respond to sanctions or other measures against its economic activities and exports.

"We are a major trading nation and not some small insignificant country and can respond in a multi-pronged fashion. We could apply pressure on specific goods from

vulnerable EU states," he said.

"Losing out from exports, the EU central authorities may quickly face vetoes and protests from member states which lose out on exports."

He named Spain, Portugal and Greece as potential losers in such an economic warfare.

However, Oh said every effort should be made towards rapprochement and away from conflict as economic warfare would result in even poorer economic performance.

"It does not matter who will be hit harder. We are in an increasingly interconnected world and avoiding such conflict would be of greater benefit than perceived gains," he said.

The EU recently voted in favour of a resolution which would phase out vegetable oils in biodiesel, including palm oil, which were considered to be produced through "unsustainable" practices.

No certification criteria has been defined by the bloc to date, leading to claims the move was due to pressure from either EU rapeseed oil manufacturers or the United States, which is a major exporter of soy-based biodiesel, the main competitor of palm oil in the energy sector.

Malaysia and Indonesia are the largest producers of palm oil, producing 85 per cent of the world's supply, and criticism has been levelled against both countries over harmful environmental practices.

Universiti Utara Malaysia College of Law, Government and International Studies' Associate Professor Ahmad Martadha Mohamed said geopolitics could not be ruled out as a factor behind the EU resolution.

He said commercial interests could be the major reason for the resolution.

"We had similar concerns when the

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US embarked on an aggressive campaign against our palm oil industry. It is not inconceivable the potential ban is to protect interests within the EU or others," he said.

"The purported environmental concerns cannot be trusted because they are likely to have ulterior motives, mainly to protect their own products against our palm oil."

Ahmad said the threat of a ban should be taken as a cue for Malaysia to look elsewhere to export its palm oil products, especially in regions which it could compete with other bio fuels.

"South Africa, Latin America and the Middle East all have large consumer populations who would be interested. If the EU cannot be counted on, we have to look at our options from now," he said.

"Especially with the Middle East, which has close ties ... I am sure these countries will be more appreciative of our good gestures and willingness for trade."

Ahmad said bilateral negotiations with individual EU member states were unlikely to work as all members were bound by the bloc's centralised policy direction.

He said Malaysia and Indonesia needed to talk terms with the EU and avoid an escalation of the situation rather than engage in tit-for-tat trade bans.

"We need to open constructive trade dialogue with the EU and gain some insight into what is driving them to take such actions and address their concerns over our oil palm industry," he said.

"Trade retaliation or economic warfare is not a good diplomatic strategy. They have their interests and we have ours, we need to work towards a positive outcome," he said.



It does not matter who will be hit harder... avoiding such conflict would be of greater benefit than perceived gains.

— Oh

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Experts say the Malaysian palm oil industry should explore markets apart from Europe, which is struggling economically. — Picture by AFP